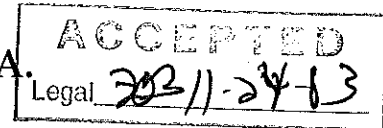


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AUSTIN, LEWIS & ROGERS, P.A.
ATTORNEYS AND COUNSELORS AT LAW



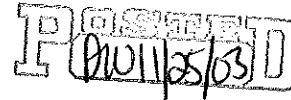
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November 21, 2003

Mr. Bruce Duke, Acting Executive Director
Public Service Commission of South Carolina
P.O. Drawer 11649
Columbia, South Carolina 29211

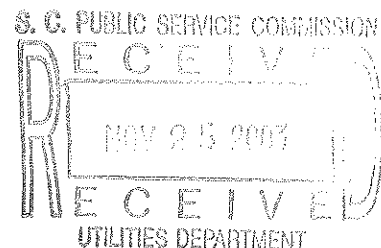
2003-346-E

Re: Experimental (Pilot) Fixed Payment Program for Small General Service Customers

Dear Mr. Duke:

Duke Power, a division of Duke Energy Corporation (Duke), proposes to offer a new program for small general service customers. Following positive customer response to the residential program that offers levelized monthly bills to customers desiring bill certainty, Duke proposes to offer a similar program for small general service customers, as a pilot.

As of September 2003, approximately 72,000 residential customers in both North Carolina and South Carolina are participating in the Levelized Billing Program marketed under the name "Fixed Payment Plan". Under this program, customers are provided electric service at a fixed dollar amount each billing period for one year, regardless of the amount of electricity used. There is no "true-up" for deviations of actual usage from expected. Customers participating in the program have benefited from the certainty of their monthly bills, in spite of uncontrollable variations in weather. The renewal rate of customers signing up for a second contract period under this program is 90%. Small general service customers will also benefit from this type of program, as the load characteristics of many small general service customers are very similar to residential load in terms of responsiveness to weather. Duke's market research indicates that about 25% of small general service customers are interested in a fixed payment plan. The certainty of fixed monthly bills will be a valuable tool for small general service customers in managing their cash flows.



In South Carolina, approximately 50,000 customers in 31 SIC codes are small businesses whose energy consumption is not driven by production or throughput, but instead is temperature responsive, similar to residential customers. The average small business customer in this target group consumes roughly 20,600 kwh annually, equaling \$1,634 in revenue -- about one and one half times that of a residential customer. Duke proposes to offer a fixed payment plan pilot program to up to 500 general service customers served on Duke's rate schedule G or GA who meet the following criteria:

- Have had electric service from Duke at their location for the past 12 months
- Have a satisfactory payment history for the past 12 months.
- Have minimum daily usage of 5 kWh
- For demand metered customers, have maximum demand of not more than 28 KW

The program will be structured in the same manner as the residential fixed payment plan program. An offer will be made to a customer for one year's service, renewable by mutual agreement, and will be customer specific. The offer will be developed based on individual customer usage history, adjusted to reflect normal weather conditions and expected changes in usage. Each customer's fixed payment plan offer will be priced according to their standard tariff for which they would otherwise qualify, but will be based on expected usage under normal weather conditions rather than actual usage. Use of expected rather than actual usage is acceptable since: (1) expected usage includes anticipated response to the use of the rider; (2) the product includes a risk premium to recover the increase in the uncertainty about the degree of cost recovery relative to the standard tariff; and (3) the term of the contract is limited to one year at a time. The offer will also include a fee of \$1.00 per month to cover the administrative costs of the Fixed Payment Plan and a cost-based risk premium to cover the risk Duke undertakes in offering the program. The risk premium used in the pilot program to small businesses will be 4.4%, the same as used in the residential program.

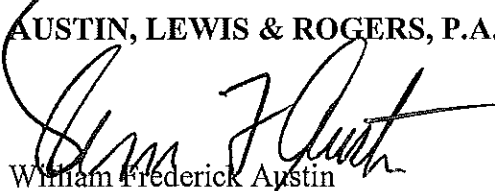
Since the program is targeted at small general service customers whose usage patterns are similar to that of residential customers, it will not be offered to customers who currently pay a demand charge. Further, if a small business customer enrolls in the program and subsequent usage exceeds 28 KW, such that a demand charge could be imminent, the customer will be removed from the pilot program, without termination charges. The customer will resume billing under the standard G or GA rate schedule.

This product, in a form similar to Duke's proposed pilot structure, has been available to small general service customers of Georgia Power since June 2002. Duke has reviewed information provided by Georgia Power regarding their program.

Duke proposes to offer this experimental program as a pilot, for up to 500 customers, in order to: (1) confirm that an unfulfilled need exists for a fixed payment option for small business customers, and (2) to understand the anticipated usage response related to a fixed payment with respect to small business customers. The pilot program will be offered on a "program year" basis, with the first program offers to be made in January 2004. In order to begin enrolling customers during January and February 2004, for billing beginning in March 2004, Duke requests approval by December 2, 2003.

Very truly yours,

AUSTIN, LEWIS & ROGERS, P.A.



William Frederick Austin

General Service
FIXED PAYMENT PLAN PROGRAM
PilotAVAILABILITY (South Carolina only)

Available on a voluntary basis, at the option of the Company, to up to 500 general service customers, who would otherwise be served on Rate Schedules G or GA, who have been at the same location and have kilowatt-hour (kWh) usage history for the past twelve (12) consecutive months. The customer must also have a minimum daily usage of 5 kWh, a maximum demand of not more than 28 KW, and have a satisfactory payment record. During the pilot, only those establishments classified in the following categories by the Standard Industrial Classification Manual published by the United States Government, are eligible for the program: Motor Freight Transportation and Warehousing, Wholesale Trade, Retail Trade (other than Food Stores and Eating and Drinking Places), Finance, Insurance and Real Estate, and Services (other than Private Households).

PROGRAM PROVISIONS

Under this program, the Company will estimate the monthly kWh usage for the ensuing 12 month period based on the Customer's previous historical metered usage, adjusted to reflect normal weather and for expected changes in usage. The Customer's expected usage for each month will be calculated on the Customer's applicable rate schedule. The resulting sum of the expected monthly bills, plus a 4.4 % risk fee, will be divided by 12, and a \$1.00 per month administrative fee will be added to determine the Fixed Payment amount to be paid by the Customer each month in lieu of charges for the actual kilowatt-hours used calculated on the Customer's applicable rate schedule. Pursuant to Duke Power Service Regulations bills rendered for periods of less than 25 or more than 35 days will be prorated on the basis of a normal 30-day billing period.

If the Customer is not currently a Customer on the Fixed Payment Plan, the Company shall provide to the Customer the calculation of the Fixed Payment amount for the Program Year and the minimum, maximum and average monthly charges the Customer has paid in the previous 12 months. If the Customer currently is a Customer on the Fixed Payment Plan Program, the Company shall provide to the Customer the current and new Fixed Payment amounts and the minimum, maximum and average monthly charges the Customer would have paid in the previous 12 months in the absence of the Customer's participation on the Fixed Payment Plan Program. The Fixed Payment amount will not include usage or charges for additional services including but not limited to outdoor lighting or other separately metered services. Service under this program requires that the Customer enroll prior to the beginning of a specified "Program Year" as determined by the Company.

PAYMENT

The monthly bill rendered under this program is due and payable in accordance with the applicable Rate Schedule and Service Regulations of the Company. The charges associated with additional services (such as outdoor lighting) will be determined in accordance with the applicable rate schedules for such service.

CONTRACT PERIOD

Service under this program shall commence with the first billing period of a designated "Program Year," each year for a minimum one-year term, renewable annually, at the option of both parties. Each year prior to the anniversary of the original contract, the Company shall review the Customer's account, and prepare a new Fixed Payment amount for the following contract year. The new Fixed Payment Plan amount for the next year and the information described above shall be provided to the customer at least 30 days prior to the end of the then current Program Year. A new Fixed Payment contract and amount will commence each successive Program Year unless terminated by the Customer or the Company.

If during the Program Year the Customer's demand exceeds 28KW in a billing period the Company will terminate the Customer's service under this program and the Customer will be billed under a standard service tariff for that billing period.

The Customer may terminate the contract at the end of any Program Year at no charge. The Customer may terminate at any time during a Program Year with written notice to the Company to be effective the next billing cycle. In addition, the Company reserves the right to terminate the Customer's service under this program if the Customer's actual kWh usage in each of three consecutive months exceeds the estimated usage by 30% or more, or no longer meets the qualifications of this rate schedule, or for any other violation of this program.

If a Customer requests to be removed from the program during the Program Year and continue service on a standard rate schedule at the same location, or if the Company removes a customer for excessive usage or other violation of the program, the Customer will be charged a \$30.00 termination fee. If a customer ceases to receive service at the same location, or is removed because Customer demand has exceeded 28KW in a billing period, no termination fee will be charged.